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The Management REVIEW



NOVEMBER, 1940

COMMENT • DIGEST • REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

Organization and Operation

The AMA serves its members through six divisions: Office Management, Insurance, Personnel, Finance, Marketing, and Production. Each of these divisions is headed and directed by a man drafted from industry.

Conferences

Each of the six AMA divisions holds at least one annual conference, where problems of timely importance in its field are discussed. Printed conference proceedings go to members of the divisions concerned.

Information and Research

The AMA Information and Research Department places at the command of every member company a trained research staff on management problems. In addition, the AMA maintains a modern, up-to-date library of management books and business publications.

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THE MANAGEMENT REVIEW (monthly) contains digests of articles on management appearing in over 400 publications, and brief reviews of current business books. It enables a busy man to survey all current topics of interest to him in less than 30 minutes. PERSONNEL (quarterly) publishes articles on employee selection, training, compensation, and the like. BUSINESS CONDITIONS AND FORECASTS (monthly) gives a summarized analysis of the statements of six of the foremost business services.

Editor — JAMES O. RICE, 330 West 42nd Street, New York, New York
Assistant Editor — M. J. DOOHER

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The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

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WHAT'S going to come out of this decided movement to determine the personality traits of various types of workers? Our impression is that from coast to coast business psychologists are measuring the traits of executives, foremen, salesmen, line workers, night watchmen, and office boys. The latest study to come to our attention is devoted to the traits of the successful clerical worker. This research reveals that the clerical worker who has made good is: (a) not moody and not subject to worry, (b) even-tempered, (c) lacking self-sufficiency, (d) unwilling to accept responsibility, (e) non-social, and (f) not craving admiration. It seems to us, if all this be true, that the good clerical worker possesses only three positive traits, and two of these are lukewarm—not moody and not subject to worry, and not craving admiration. We like people who are occasionally moody and abhor those who refuse to worry. As far as craving admiration is concerned, we never knew an individual who did not crave it. In fact, we'd go a long way to see one. Anyway, on page 395 there's an abstracted version of the clerical personality study (Traits of the Successful Clerical Worker).

WITH all this talk about getting the right man into the right job—fitting his personality to his work, and seeing to it that his finger dexterity is equal to the job's needs—one may well wonder what's going to happen to the fellow who's physically handicapped. However, if the Army takes the cream of our manhood into its maw, is it not logical to conclude that the proportion of physically disabled men in industry is going to increase noticeably? Well, there's nothing to worry about, apparently, because health surveys show that there are lots of people who lack thumbs and stuff doing a very healthy day's work every working day of the year. A report of the American Association of Industrial Physicians and Surgeons points out further that the number of unemployed, but employable, handicapped persons does not appear to be out of proportion to unemployment among supposedly non-handicapped individuals. See page 400 (The Employability of the Handicapped).

THE MANAGEMENT INDEX

General Management

Research and Industrial Growth

THERE is probably no concept of greater significance from a long-range management standpoint than that of growth. An attempt to appraise the growth potentialities of the principal industrial groups should therefore prove of considerable value to business men.

A simple concept of growth is needed. Let us consider a growing industry as one the demand for whose products or services is increasing from year to year under normal conditions and a declining industry as one in which the demand is falling off.

Using this definition, it is possible to group industries according to their prospects of growth over the next few decades. The most promising would consist of those the demand for whose products or services is increasing or should increase at a faster rate than the population, either because the potential market has not been fully tapped or new uses are being developed (e.g., chemicals, plastics, paper and pulp, quick-frozen foods, petroleum, electrical equipment, machinery, aircraft,

automobile trailers). The moderately promising would be those with prospects of growth at least in line with population; this group would include industries in which the potential market is near the saturation point but which are not likely to undergo any competitive losses in the future to other industries (e.g., cement, glass and metal containers, printing and publishing, motion pictures, automobiles). The least promising group would include those where demand is declining because of changing technologies, methods of living or competitive losses to other products or services (e.g., cotton, silk, wool, cereal products, unprocessed lumber, traction, shipbuilding).

In general, materials are far more vulnerable to displacement, because there are so many varieties, than are fuels, agencies of transportation or communication, of which there are relatively few basic types. Probably the most intense competition in the future will be among materials, as chemistry brings into existence entirely new types. Already the once sharp

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

boundaries that separated the material-processing industries are beginning to disappear, with some of the oil-refining companies going into the chemical business, a large dairy company making synthetic wool, and the chemical industry finding substitutes for almost everything.

In the field of power, electricity will come into much wider use as the form of energy best suited to meet specific requirements and most amenable to exact control. The Diesel engine will come into increasing use in small power plants, in the railroad, marine and other fields.

In transportation, the airplane will continue to show the most rapid growth, the automobile should show a trend of growth at least in line with population, the railroad will continue to lose some freight and passenger traffic to its younger competitors but eventually its decline will be halted.

While the prospects for the various industries set certain broad limits to the growth possibilities of the companies in those industries, the ability of the latter to take advantage of favorable trends is dependent to an important extent on research. Indeed it is safe to say that the companies which lead in research have the best chances of survival and growth.

Data compiled by the National Research Council in 1938 revealed a high degree of concentration of research in certain industries. More than half of the 50,000 workers in industrial laboratories in the United States were em-

ployed in the chemical, petroleum and electrical industries. If the rubber, automobile, agricultural equipment, and machinery industries are included, the foregoing would account for more than two-thirds of all the industrial research workers in the country.

It was also found that research was highly concentrated among the large companies. One-half of all the research workers were employed by 45 large companies, the other half were distributed among more than 1,700 firms, and over 150,000 manufacturing concerns were without research laboratories.

A large company has the advantage of being able to spread its research expenditures over a very broad basis, offsetting its profitable experiments against the unprofitable ones in much the same way that an insurance company distributes its risks. Many promising new products such as frosted foods, alloy steels, foam rubber and plastics were not profitable during the period of development, and only strong companies could afford to carry them along.

Nevertheless, there are a great many small companies in various fields that are doing excellent research work. When a small company does hit upon a successful new product or process, the rewards are relatively much greater than in the case of a large company, since it may result in a sizable expansion in volume of business of the former, whereas to the latter it might not be very important.

Some of the most promising opportunities for the application of research

appear to lie in certain of the older industries. It has only been in recent years that research has received much attention in the metallurgical industries, and the possibilities are vast. Im-

portant opportunities also exist in paper, clay products, and many other materials in common use. BY JOSEPH V. SHERMAN. *Barron's*, September 2, 1940, p. 3: 1.

Office of Tomorrow

BANKERS LIFE COMPANY, Des Moines, Iowa, has what architects consider one of the most advanced office buildings ever constructed. It was planned from the inside out, to provide as close to an assembly-line system of production as the character of an insurance business allows.

Interesting features of the six-story building include a gymnasium and a clubroom for employees and an auditorium seating 1,100.

Departments with different seasonal peaks are paired on the same floor so that work areas can be expanded and contracted at need. Transportation channels are grouped for a minimum of cross traffic and conflict. Inner walls around large work areas on the lower floors are of paneled steel. Room corners are rounded for ease in cleaning. Two inches of cork insulate the outside walls and roof.

Because of the cork insulation, an unusual wall warming and cooling system is possible. Continuous one-inch copper pipes circulate hot or cold water behind the inner surface of the exterior walls and around windows and doors. The pipes radiate heat or coolness at the sides of the room. The entire building is also air-conditioned.

In major work spaces the acoustics control is integrated with air conditioning and lighting. Recessed lighting coffers are flush with a perforated metal ceiling, which hangs 18 inches below the structural ceiling. Space between ceilings carries incoming air and admits sound waves to sound-insulation pads attached to the structural ceiling. Illumination from the recessed coffers averages 35.9 foot-candles at desk height.

—*Dun's Review* 9/40

Jewel Tea Serves Employees Daily

JOINING the increasing number of firms serving mid-morning and mid-afternoon refreshment to their employees, Jewel Tea Company has worked out a plan for serving coffee and tea to its personnel. Coffee is served in the morning and tea in the afternoon.

There is no recess of work while beverages are served. The 165 women and men in the office are quietly and efficiently served at their desks by two girls operating a special serving cart which carries their complete supply of cups, saucers, spoons, cream, sugar, and coffee or tea. Each person has been supplied with a small ticket which is placed at the edge of his desk indicating to the servers the individual's request for cream or sugar, and eliminating necessity for conversation. About 30 minutes after serving, the used dishes are gathered up.

In the plant, where regular rest periods occur at 9:45 in the morning and 2:30 each afternoon, employees gather for coffee and tea at distributing points on their respective floors. Busy at more strenuous physical work, these people have noticed an even greater pick-up and refreshment than have office workers.

—*American Business* 10/40

Office Management

The New 40-Hour Week Maximum

THE arrival of the 40-hour standard workweek lends added importance to a number of questions that employers have lately been asking about the effect of the Fair Labor Standards Act on the status of salaried employees. One such question is whether or not many employers are changing office employees from a salaried to an hourly basis. Another one is whether or not the 40-hour standard workweek will accelerate the trend toward a five-day week on office operations.

In order to get a cross-section viewpoint of management regarding these and related questions, the Conference Board recently surveyed a limited number of companies. Replies from 45 companies provide the material for this analysis.

Previous surveys have shown that the trend toward the five-day week has been less pronounced for office employees than for factory workers. Information received from 45 companies that heretofore have had a 5½-day office schedule shows that 33 will continue their office schedules on a full 5½-day basis, seven companies will have a skeleton force on Saturday morning, three companies will suspend all Saturday office work, and two will observe the Saturday office shutdown only in certain departments and continue operation in others.

Of the 33 companies that are continuing the 5½-day office schedule, 15 provided information pertaining to daily schedules of hours. The schedule most often followed is five days of 7¼-hours each and 3¾ hours on Saturday, totaling 40 hours.

The requirement of the Fair Labor Standards Act that salaried employees as well as hourly-rated employees must be paid for overtime at the rate of at least one and one-half times their regular hourly rate marked a distinct departure from tradition, insofar as salaried employees are concerned. As a result, many employers are now re-examining the relative status of salaried employees and hourly-rated employees.

Forty-five companies provided answers to the following question: Do you plan to modify the extra privileges that have in the past been associated with office employees? Forty-three report that they are continuing their salaried employees on the salaried status, but three are considering some changes in salaried status. One company, employing about 1,500 persons, replied that "We are seriously considering curtailing privileges such as pay during illness, pay during vacation period, pay for time off due to personal reasons, pay for holidays, and other privileges."

Two of the reporting companies

have already curtailed salaried workers' privileges. One wrote: "As of January 1, 1940, salaried employees subject to the Wage and Hour Act were placed on an hourly basis. Their hourly rates were increased to include two weeks' vacation and six legal holidays over the period of a year."

Faced with the legal requirement of paying a 50 per cent premium as a penalty for office overtime, many employers are taking definite preventive measures. Some of the steps are reported as follows:

(1) Call in experienced former employees for temporary periods.

(2) Have adopted policy of permitting no overtime work by salaried

employees except by advance authority of an officer of the company.

(3) Better work-planning and elimination of unnecessary work.

(4) No overtime permitted in office. Temporary help employed at rush times.

(5) Considering adoption of prepayment salary plan.

(6) Special overtime permit required.

(7) Shifting of work hours and schedules.

(8) Compensating time off in anticipation of overtime.

The Conference Board Management Record, October, 1940, p. 124:3.

The Special Librarian in Business

WHAT can a special librarian do for a corporation? First, she knows the fields and the subjects in which the company is interested and the literature covering these fields. She knows the company and its problems, its clients and their interests. She is constantly on the alert for information of importance and therefore has material ready for instant use when specific problems arise. Basic materials are kept properly up-to-date in her files. New interesting material is automatically routed through the company. Through membership in Special Libraries Association and other contacts, the librarian secures outside help when the required information is not in her own files.

When a librarian is added to an organization, she automatically centralizes subscriptions to magazines and trade journals. She coordinates files scattered throughout the organization and so saves the company money and increases efficiency. A company should place its librarian on a par with other department heads and keep her well informed on company problems so that she may collect information on them.

What materials belong in a business library? Of course, there will be books, but relatively few of them. There are basic reference tools, statistical handbooks, and trade directories in every important field, which should be purchased and kept up-to-

date. Far more important are the ephemeral materials—pamphlets, research reports, government documents, and clippings from newspapers and periodicals. It is this type of material that distinguishes the efficient business library.

What of costs? Space and equipment are never of paramount importance. A room 24 feet square could house 1,000 books, 10 vertical files, and shelves for hundreds of magazines.

A typical budget for a new small library might be as follows: Shelving, furniture, typewriter and supplies would come to about \$1,000. An adequate basic collection of books and documents covering general business subjects could be procured for as little as \$2,000. Magazine subscriptions, memberships and commercial information services would cost about \$1,000. The salary item might amount to \$6,000. This makes a total of \$10,000 for the organization of the library and

its operation for one year. The equipment allows growth for several years. Obviously cuts could be made in the books purchased and the subscription items.

Unfortunately there are no standards in regard to salaries. Librarians may be secured for \$1,200 or \$12,000 a year. For the openings in New York last winter, the average salary for head librarians was \$50 a week, while assistants or beginners averaged from \$30 to \$35 a week. In most special libraries the salary item runs from 60 to 75 per cent of the total expense.

Trained librarians with a knowledge of business subjects can be secured through Special Libraries Association. Often the accredited library schools can suggest people available for positions. Lists of such schools may be obtained from Special Libraries Association or from the American Library Association in Chicago. BY MARY LOUISE ALEXANDER. *Special Libraries*, July-August, 1940, p. 248:3.

Traits of the Successful Clerical Worker

IN a previous article the writer reported a study of the personality traits of successful salespeople. This present article reports a similar study of clerical workers.

In selecting the experimental groups, care was taken to exclude all whose work included customer or public contacts. Also, all office-machine operators were excluded with the exception of typists. Only experienced

workers were included in the study.

Eight separate groups of female clerical workers from four different business organizations were studied, a total of 192 individuals. Ratings of ability, based upon quantity of work accomplished, were obtained for each individual. Each worker also filled out a personality inventory.

An item analysis of the personality inventories was then made to deter-

mine those items with respect to which there was a tendency for the better workers to answer differently from the poorer workers. As a result of this analysis, it was found that the personality traits accompanying clerical success in these groups were: (a) not moody and not subject to worry, (b) even-tempered, (c) lacking self-sufficiency, (d) unwilling to accept responsibility, (e) non-social, and (f) not craving admiration.

These traits show highest correlation with success in the most routine types of work.

A comparison with the personality traits of successful salespeople, as reported in the article previously referred to, shows that absence of moodiness and freedom from worry are characteristic of both the successful salesperson and the successful clerical worker. The successful salesperson was found to be social, self-sufficient, and willing to accept re-

sponsibility, while these three traits appear to be characteristic of the poorer clerical worker, as a larger proportion of the poorer than of the better clerical workers reported themselves as possessing these traits.

Is it possible that these three traits can be a handicap in any occupation? At first thought this seems impossible, but a further consideration suggests the possibility that these traits might interfere with the rapid performance of routine clerical jobs. For example, a social individual might find it difficult to stick to a routine task without frequently talking to her neighbor, while a self-sufficient individual or one wishing to accept responsibility might chafe at a routine task or might even cause trouble by assuming responsibility on a job where routine must be followed without question. BY ARTHUR F. DODGE. *The Journal of Applied Psychology*, October, 1940, p. 576:11.

Cuts Lost Time Due to Colds

RECENT surveys made by the U. S. Public Health Service, industrial physicians, and insurance companies indicate that an average of over 50 per cent of the time lost from work is due to colds and their complications. At the Quaker Oats Company, St. Joseph, Mo., it has been found that this lost time can be cut more than 70 per cent through use of oral vaccines.

Forty workers comprised an experimental group. The medication used in the work was an improved vaccine prepared in the form of small, white tablets for administration by mouth. Total cost of the material for the experiment was 66 cents per individual.

The average number of colds during the previous season had been 4.85. During the winter following immunization, the average number of colds in the experimental group was 1.45—a decrease of 70.2 per cent.

While definite reactions following oral immunization for the common cold may be expected, such reactions are decidedly less severe than those resulting from the injection treatment.

—*Industrial Medicine* 10/40

Electrical Operation of Files

A PRIME essential in a filing system is that anything filed may be located with a minimum of time and effort. Since all manually operated systems are subject to human error, methods such as cross-indexing, duplicate recording, numerical filing, etc., have been resorted to, elaborating the basic simplicity of a filing system.

Recently there has been introduced to the Eastern market a mechanical method of selecting cards from card files. The equipment used for this purpose is sold under the trade name "Electrofile."

The Electrofile may be adapted to almost any card-filing system where speed of selection and refiling are important factors. Any card in the card files may be selected therefrom merely by placing the card tray on a selector, depressing keys on a keyboard, then moving an operating bar; the desired card immediately moves out of alignment in the tray, visually identifying itself so that it may be withdrawn. Correct selection may be achieved by use of only four characters. It is unnecessary to refile the card in the position from which it was withdrawn. It may be placed anywhere in the tray, and in a few seconds is as easily located in its new position as it was originally. Cards cannot become "lost" because of misfiling.

In addition to selecting cards singly, the equipment provides a unique method for group selection and for group sorting. With this equipment,

no alphabetical or numerical sequence need be followed in filing the cards, neither is there any need for cross-indexing, duplicate records, or other elaboration.

The device substitutes the speed of electricity, with its consequent time saving, for the manual labor of finding and refiling records. Thus its use is advantageous for such card-filing systems as are used for the following:

- (a) Instalment payment records
- (b) Accounts receivable records
- (c) Accounts payable records
- (d) Collection records
- (e) Personnel and employment records
- (f) Sales prospect controls
- (g) Sales records
- (h) Perpetual inventory records
- (i) Insurance company records

The advantages of the equipment clearly outweigh the few disadvantages apparent to prospective users. It is to be noted that at the present time the selector is manufactured in one size only, hence the size of card usable with the machine is limited to a maximum width of eight inches and a height variable from five to eight inches. The maximum size is generally ample for the majority of card-file users. The cards are of special patented design and therefore may be purchased only from the manufacturer of the equipment. By RAYMOND L. COLLETT. *The New York Certified Public Accountant*, October, 1940, p. 24: 9.

Personnel

Standard vs. Fluctuating Workweek

BECAUSE the rules laid down by the Wage and Hour Division for computing "regular rate of pay" draw a distinction between employees who work an irregular or fluctuating number of hours each week and employees who have a standard workweek, the amount of additional overtime compensation to which a salaried employee is entitled for hours in excess of 40 in one week depends, among other things, on whether or not his workweek is standardized by agreement or custom.

A recent bulletin prepared by the Association of Stock Exchange Firms, New York City, calls attention to the fact that an employee whose workweek is not standardized will ordinarily be entitled to less overtime compensation than an employee with standard workweek where both employees are paid the same basic weekly salary and work the same number of hours in excess of the maximum.

The discrepancy arises in this way:

Before computing overtime payments for salaried employees, their weekly or monthly earnings must be translated to an hourly basis. For an employee whose workweek is standardized by agreement or custom, the regular hourly rate is arrived at by dividing his weekly salary by the number of hours in his standard workweek. But for an employee paid a fixed weekly salary for an indeterminate number of

hours of work, the regular rate of pay is determined by dividing his weekly salary by the number of hours actually worked each week. Thus the greater number of hours the latter type of employee works in any week, the lower will be his regular rate of pay for that week. The regular rate of the employee with a standard workweek, however, remains the same no matter how many hours he actually works.

The discrepancy is increased by the fact that the employee with a standard workweek must be paid, in addition to his fixed salary, one and one-half times his regular hourly rate for overtime hours. An employee without a standard workweek, however, need be paid, in addition to his regular salary, only one-half his hourly rate of pay for hours in excess of the maximum. This is so because the salary of the latter employee covers all hours worked, whereas the salary of the employee with a fixed workweek covers only the regular number of hours for which he is employed.

Offsetting the additional liability for overtime to employees with a standard workweek are certain advantages accruing to the employer from such an arrangement. Most important is the fact that, in an establishment in which the workweek is fixed, the employer may lawfully make deductions from employees' wages for hours not actually worked. An employee who is

paid a fixed weekly salary for an indeterminate number of hours must receive his full salary regardless of time worked.

A second advantage is the fact that only in the case of employees who have a fixed workweek is an employer

able to adopt one of the two "constant wage" plans approved by the Division. The plans provide means by which an employee's overtime in one week can be compensated in effect by time off in other weeks. *Wage and Hour Reporter*, October 21, 1940, p. 465: 2.

Wright Tackles the Training Problem

AN outstanding example of defense training programs is that of the Wright Aeronautical Corporation, of Paterson, N. J. Even the special-purpose machines used in mass production of airplane engines require an unusual degree of precision and an exceptional type of worker. Wright, rapidly expanding, has been quick to launch an intensive learner program.

Wright learner training begins with a four-week course in the Paterson vocational schools. Students must be between 20 and 30 years of age, American citizens, and residents of the county. Some preference is given those with dependents and those having high school or college training or a measure of mechanical skill.

The company states its specific needs to the school officials, who are thus able to choose men best fitted for individual tasks. Records of applicants are carefully studied, and physical examinations are given.

In the first week, devoted to shop science, arithmetic review, the reading of simple blueprints, and the use of gages, about 10 per cent of the pupils drop out. The rest begin work on ma-

chines, lent by the company, like those they will operate if they qualify for Wright jobs. Many of the instructors also are supplied by the company.

Scrapped parts are sent to the school from the plant to familiarize the students with materials. Soon the men are engaged in actual work on Wright parts, using Wright machines and Wright blueprints. Ratings, given at the end of the course, are checked in the personnel department. The successful student is then ready to work in the plant at tasks assigned according to rating.

For a time the new man stands at the elbow of an experienced operator. Gradually he is permitted to load and unload the machine, clear away chips, take roughing parts, and finally to go it on his own, receiving the minimum operator's rate and his share in the group bonus. Most pupils are ready to work alone within two weeks.

All this is quite distinct from Wright's 8,000-hour apprentice course. In still a third category is the "trainee" group, which develops young men of exceptional promise into highly skilled production workers without the for-

mality of the full apprentice course. Many trainees have eventually qualified for supervisory work. Withal the need for supervisory personnel has been acute. Hence the company has designated 18 supervisors as conference leaders who meet with foreman groups to discuss training of workers for advancement.

Wright has also accepted a number of graduates of the private aviation schools for work in the engine test and assembly rooms. To round out its program, it is giving an intensive 10-week course, combined with actual work, to 132 young engineers. *Factory Management and Maintenance*, November, 1940, p. 42: 7.

The Employability of the Handicapped

THERE is no reliable census available of the number of handicapped persons in the population at any one time. However, the following conclusions may be drawn from estimates prepared from fractional censuses of the National Health Survey and various state vocational rehabilitation bureaus, and from studies made by the Federal Vocational Bureau:

Out of a total of approximately 4,000,000 physically handicapped persons in the country, 70 per cent of whom are males, 30 per cent females, about 2,200,000 are within the age of employability, i.e., 17 to 64 years of age. Of this number, approximately 1,900,000 are either employed, are not seeking employment, or are too severely handicapped to be employed; approximately 1,200,000 are employed. Thus 300,000 would appear to be a conservative estimate of the number of handicapped persons in need of self-supporting employment.

A survey of employment possibilities for workers with various types of disabilities indicates that, generally speak-

ing, office or commercial work offers greater opportunity than factory or mechanical work. For those with arm disabilities, the opportunity in clerical or commercial occupations is almost four times that offered in factory or mechanical work. For those with cardiac disabilities, theoretical placement possibilities in office work are nearly 100 per cent, whereas there is much less opportunity in factory and mechanical work. For cases of arrested tuberculosis, theoretical placement opportunities in office and commercial work are 97.2 and 75.2 per cent respectively; in factory and mechanical work, 33.9 and 42.0 per cent respectively.

On the other hand, employment possibilities in factory work for the hard of hearing are practically unlimited. The general feasibility of employment for those with hearing defects is 70.6 per cent; for office and commercial work, this drops to 60.6 per cent and 47.6 per cent respectively. In mechanical work, the percentage is 70.9.

In cases of leg amputation below the knee, general placement possibilities exceed 50 per cent, but the opportunities in factory and mechanical classifications are less. In cases of amputation above the knee, theoretical placement possibilities are reduced to about 37.5 per cent, with an increasingly lower degree of opportunity in factory and mechanical fields.

The annual increment of handicapped persons of employable age requiring adjustment or training or retraining for occupation is approximately 75,000. A definite need exists for sustained and more effective safety and accident-prevention movements in industry, on the highways and in homes to control and reduce this increment.

In the last quarter-century marked progress has been achieved in vocational rehabilitation of the handicapped through private endeavor, social agencies, legislation, and enlightened employment practices. Prior to 1920, 12 states, and by 1940 the entire 48 states, the District of Columbia, Hawaii and Puerto Rico, had accepted the provisions incorporated in the national vocational rehabilitation act of 1920 for "the rendering of

a physically disabled person fit to engage in a remunerative occupation." On June 30, 1938, approximately 119,000 persons had been trained or retrained for and established in self-supporting employment.

The theoretical employment possibilities in industry, the public service and commerce for handicapped persons have been shown to be quite numerous. Liberalization of workmen's compensation laws in most states to provide second injury funds will help make employers less hesitant to engage a handicapped person. Liberalization of medical benefits under these laws is also desirable in order that the injured worker may be more suitably conditioned for re-employment.

The number of unemployed, but really employable, handicapped persons in the country, as a group, does not appear to be out of proportion to unemployment among supposedly non-handicapped persons who likewise need employment for their support and the maintenance of their families. Report of the Committee on the Employability of the Handicapped, American Association of Industrial Physicians and Surgeons. *Industrial Medicine*, September, 1940, p. 441:10.

AMA PERSONNEL CONFERENCE

The Personnel Conference of the American Management Association will be held on Wednesday, Thursday and Friday, February 12-13-14, 1941, at the Palmer House, Chicago.

Production Management

Shift Operation

AS the national defense program gets under way, many plants that have normally been accustomed to a single daytime shift will find it necessary to go on a two- or three-shift basis, if a sufficient supply of qualified labor is available, since multiple-shift operation will automatically permit a large increase in output without expanding plant or equipment.

Special administrative problems are encountered when multiple-shift operation is undertaken. Two in particular have given some trouble. One of these is whether to assign employees permanently to a particular shift or to rotate the shifts at regular intervals in order to equalize the advantages and drawbacks in working during the day and night. The other is whether it is desirable or necessary to pay a premium or higher rate on night shifts.

In a study of multiple-shift operation in 1937, 53 companies reported a policy of permanent assignment to particular shifts, 52 rotated shifts, and in 25 companies there was no uniform policy, some departments following one practice and some the other. Of 72 companies giving information with regard to the frequency of shift rotation, 40, or more than half, rotated them weekly, and 19, or about half as many, made the change every two weeks. Other periods ranged

from semi-monthly to quarterly, while in eight companies the frequency of rotation varied.

Extra compensation for night-shift work was not very common in 1937. Twenty-three per cent of continuous-operation companies and 33 per cent of the normally non-continuous plants paid a higher rate of wages for night work, ranging from one to 10 cents additional per hour, or from 5 per cent to 20 per cent above day rates. The most common policy, followed by about a third of the companies that paid higher rates for night work, was to increase the rate 5 per cent.

Recently information was secured with regard to 1940 practice on these points. Again companies are found to be almost evenly divided between those in which shifts are permanent and those in which they are rotated. When shifts are rotated, the practice of doing this weekly is also still the most common practice. Specifically, 48 per cent of those who rotate do so weekly, 14 per cent do so semi-monthly, 6 per cent bi-weekly, 5 per cent monthly, and 2 per cent every three weeks; in the remainder, the period of rotation varies or was not specified.

When it comes to the question of straight wages or premium wages for night shifts, companies divide in a ratio of about six to four, with the

larger proportion paying the same rate on all shifts. Where higher rates are paid, the premiums most frequently specified are 10 per cent, 5 per cent,

5 cents per hour, 1/2-hour bonus, and 10 cents per hour. *The Conference Board Management Record*, October, 1940, p. 129:2.

Danger: Men at Work

LOST—one billion dollars a year, by American industrialists. This is the estimated annual waste caused by industrial accidents.

More than 16,000 lives are lost in the workshops of the United States annually. Almost two and a half million non-fatal injuries each year result in the permanent disability of some 100,000 laborers.

Industrial accidents can and do occur in every field of work. However, there are some 900 occupations which are especially hazardous.

Many of these dangerous occupations are found in the manufacturing industries. In Pennsylvania, a highly industrialized state, more than 1,000 fatal and almost 150,000 non-fatal injuries are recorded yearly. Moving machinery, explosions, electricity, heat, harmful substances, the handling of especially heavy objects, and falls are the chief causes of accidents.

Among the industries with persistently high injury rates are logging, brick and tile, machine shop, foundry, steel milling, meat packing, and paper and pulp. Surprising as it may seem, the automotive, shoe, petroleum, and electrical machinery fields are among the industries which have the lowest injury rates.

Coal mining and railroading may be added to those which take a heavy toll of lives each year. This is true also of the construction industry, which in 1938 reported one out of every nine workers injured and one in 200 permanently disabled. And in 1937—a fairly typical year—54,000 bituminous coal miners were injured and more than 1,000 were killed.

Accidents and occupational diseases take a heavy toll among young workers. Many states forbid child labor in hazardous occupations, yet in 1938, 25 per cent of the employed youth between the ages of 16 and 18 worked for manufacturing companies. Twenty per cent of all employed children are in messenger and delivery service, one of the most dangerous fields.

Farm accidents seldom make the headlines, yet nearly 4,500 farm workers meet death each year, and almost 9,000 receive permanent injuries, mainly as a result of improper use of machinery.

Accidents are only one of the chief sources of industrial hazards. In general, industrial laborers die eight years sooner than non-industrial workers. Chief among the reasons for this condition are the occupational diseases.

Occupational diseases attack the

lungs more often than any other organ. Working in dampness, in sudden changes of temperature, or in dust-filled air will wreck the health of even the sturdiest worker and leave him an easy prey to pneumonia or tuberculosis.

Recent reports show that the death toll from pneumonia is two-thirds greater in steel towns than in the entire nation, and that tuberculosis strikes seven times more often among unskilled workmen than among professional people. Sometimes workers succumb to one of the more serious occupational diseases, such as silicosis.

Silicosis (a lung disease caused by inhaling silicate or quartz dust) is incurable. A million workers are exposed to this ghastly illness every year.

More than 100 poisonous substances are used in various phases of manufacturing. Carbon monoxide alone endangers the lives of one and a half million laborers, and lead poisoning is

a constant threat to three-quarters of a million people in 150 different occupations.

Some occupational diseases, while not deadly, can be very annoying. Dermatitis, an inflammation of the skin, attacks about 250,000 persons in all types of work. It knows no social discrimination: housemaids, barbers, builders, chemical workers, florists, physicians and nurses, as well as a great many others, are its victims.

Today 46 states have legislation providing benefits in cases of industrial accidents, and 23 states include compensation for diseases. Many large manufacturing companies have established safety programs under the supervision of "safety engineers," and employ regular staffs of industrial doctors, nurses, technicians and ambulance drivers. At the present time, however, less than 1 per cent of all companies have such programs. *Vocational Trends*, November, 1940, p. 18: 2.

Wages, Hours and Productivity

AVERAGE hourly earnings in manufacturing, mining and steam railroads combined increased from 20.7 cents in 1909 to 66.1 cents in 1939. When changes in cost of living are considered, hourly earnings somewhat more than doubled. The average worker in these industries had about $2\frac{2}{3}$ hours more leisure per working day in 1939 than in 1909. At the same time, in terms of things a dollar could buy, for every dollar the average weekly pay envelope contained in 1909, it had \$1.47 in 1939. Output per man-hour increased more than wages. In manufacturing industries, real hourly earnings were 110.5 per cent higher in 1939 than in 1909, in contrast to a rise of 163.6 per cent in man-hour output.

—*Monthly Labor Review* 9/40

► OFF-THE-JOB accidents are responsible for killing 16 industrial workers for every 10 workers killed by occupational accidents.

—*Annual News Letter*, National Safety Council, Inc. 10/40

Committee for Maintenance

NO man alone knows all the answers—and if his job has to do with maintenance, he'll be the very first to acknowledge this to be the truth.

Recognition of this fact led Republic Steel Corporation to establish early in its history a committee on maintenance, composed of the mechanical and the electrical superintendents of maintenance from each of its major operating districts. These men, plus members of the operating staff and a representative from the purchasing department, meet as a group from four to six times during the year. In addition, as individuals the members of the committee are frequently called upon for additional trips from their own districts to other districts where their specialized knowledge on some particular maintenance problem may assist in solving a situation which is new to the men in those districts.

Inspection trips through the company's plants in the district where the committee is meeting are a regular part of every program. The opportunity which this arrangement offers the maintenance heads of all districts to become acquainted at first hand with the progress being made in the other fellow's bailiwick is regarded by all of them as invaluable. Considerable time and effort are devoted, too, to the planning of programs for the meetings.

Earlier meetings of the general maintenance committee undertook to discuss both mechanical and electrical subjects

in the same session. Within the past two years, however, it has been found advantageous to divide mechanical and electrical men into separate groups. Similarly, the cost figures for mechanical repairs and for electrical repairs are separated insofar as this is possible.

Mechanical and electrical repairs are computed in terms of cents per ton of steel produced. Cost figures are kept for each month and compared with the performance for the preceding month, the year to date, and the average for the preceding year. With these figures available by districts and by individual operations, it is a simple matter to spot the places where improvement is necessary. The figures are also prepared in graph form to show the definite trends of costs, efficiency and performance.

Republic has established in its maintenance work a system of bonus incentives based on careful time studies of each type of repair job. In the shops the men are paid a bonus based on the time saved over and above the rate established for the operation. On outside operations such as those involving sheeters, riggers, track labor and common labor, the work is put on a contract basis with the labor of all crafts figured together for each job. Here, too, where the actual cost of doing the job is under the contract figure, the men share in the savings.

The maintenance personnel in each plant has been divided into two groups.

The first group, consisting of machine, boiler, welding, rigger and forge shop forces, handles the major repairs and replacements. The second group consists of men who may properly be said to compose the preventive maintenance crews. They have regular inspection assignments and where feasible have been charged as individuals with complete responsibility for particular pieces of equipment.

The outstanding accomplishment of the committee form of approach to over-all maintenance work lies, of course, in the fact that the personnel of the group amounts virtually to a body of consulting maintenance specialists who are available to help solve any particular problem in any plant.

BY C. W. PHILLIPS and I. N. TULL.
Factory Management and Maintenance,
September, 1940, p. 82:2.

Race for Safety

SEA BISCUIT races across the bulletin boards of the All-Steel Equip Company with every foot of the way hotly contested by an as yet unnamed dark horse. Each represents one of two teams of employees trying for the two monthly prizes given to the team with the best safety record. Employees are members of the "odds" or "evens" team, depending on their clock numbers.

The "Safety Steeplechase" is a recent innovation to give added zest to a safety prize contest which this plant holds every month. It provides a graphic way of announcing team positions every day.

Scores depend on accidents which require doctors' care. For the first call 25 points are marked against the individual's team. Each additional call counts two points. At the end of the month the team with the lowest score is eligible for prizes. Lots are drawn to determine who on the winning team are to receive the two prizes. Those who have had points chalked against them for accidents are ineligible.

Value of the prizes varies from \$10 to \$15. Prizes never consist of cash. Instead they are always articles useful in the home or important to the employee.

Thus the family as a unit has an interest in the contest and additional emphasis is given to the entire safety program.

—*American Machinist* 10/2/40

Agreements in Shipbuilding

AN eight-hour day, 40-hour week is the prevailing working schedule established by most of the union agreements in the shipbuilding industry. Double time for overtime work is required in about half the agreements, and time and one-half in the remainder. One-week vacations with pay are granted in eight out of 28 agreements. In most of the agreements the union is recognized as the exclusive bargaining agency, but less than half provide for a closed union shop. In only seven instances are strikes and lockouts prohibited entirely during the life of the agreement. About half the agreements prohibit strikes until after the grievance machinery provided in the agreement has been fully utilized. Less than a third of the agreements provide for the final settlement of disputes by arbitration.

—*Monthly Labor Review* 9/40

Marketing Management

Controlling Salesmen's Activities

THERE are 10 fairly basic types of "devices" or mechanisms which the sales manager may use to direct and control his salesmen in the field:

(1) *Quotas* of expected volume, equitably set up in advance and broken down into months, weeks or even days.

(2) *Expense Budgets*, showing the total expense to be allowed for securing business. These likewise are broken down and allocated to various types of expense or to various products.

(3) *Prospect Survey Cards or Sheets*, to compel discovery and listing of prospective purchasers. Useful in building, mailing and canvassing lists and in checking thoroughness of salesmen's coverage of territory. Prospect surveys usually include as much supplemental information as possible—information which "qualifies" the prospect in advance of the salesman's call as to the type of product, quantity, quality, model, price and probable terms of purchase.

(4) *Planning Sheets*, on which salesmen or supervisors can plan their work in advance, for a month, a week, or even the next day.

(5) *Route Lists*, a narrow-scope type of planning sheet, which give only the salesman's itinerary for the next succeeding period. Usually it is best to merge the Route List into the Planning

Sheet and thus secure more information than a mere Route List can provide.

(6) *Daily or Weekly Summary Reports of Individual Salesmen's Activity*, showing not only the results of the activity but the amount and type of activity.

(7) *Individual Call Reports*, giving details of each individual call. These are needed where numerous calls are necessary to get one order or one contract, or where close office cooperation is essential on each separate prospective sale, or where a careful history of previous calls is necessary for intelligent call-back.

(8) *Analytical Reports of Time Use*, showing the employment of time in various stages of the sale. For example, time spent in traveling; in waiting to see prospects and buyers; in face-to-face contact; in reporting and in other non-selling work.

(9) *Lost Order Report*, showing why an order is lost; to whom; the details of the competitive offer, such as price, terms, etc.

(10) *Daily or Weekly Expense Report*, showing expenditures in detail, cash on hand at beginning of period, cash received and paid out, and balance on hand at end of period.

When a new form of sales report is being introduced, it is well to discuss it freely in morning meetings of a city sales staff, for example. Well-done

reports should be complimented; reports erroneously filled out should be corrected. Later on, when sufficient results are accumulated to permit summaries, discuss the summary results.

The salesman, the supervisor or divisional or branch manager, and the office all should keep summaries. Management should supply the individual salesman with simple summary forms, one line for each day, so that he can recap his daily performances and secure a monthly total for himself with as little trouble as possible.

A considerable amount of patience

is necessary to institute and develop sales reporting and sales analysis methods. *First*, several months must be allowed for the men to become familiar with and "sold" on the reports. *Second*, summaries need to be made for 3-4 months to get the "bugs" out of them. *Third*, the system does not reach its full usefulness until complete analytical statements are available for more than one year, so that comparisons with "the same month last year" can be made. BY BURTON BIGELOW. *Canadian Business*, October, 1940, p. 38: 8.

Star-Spangled Selling

IN 1914, war in Europe set off an almost religious movement centering around the slogan "Made in U.S.A." World War II has again stirred a nationalistic response on the part of American business.

One major manifestation involves the development of new products and models which embody special features of a distinctively American character. Widespread also is a trend toward injecting American color and atmosphere into sales and advertising appeal. Last, and by no means least, is an Americanism crusade in advertising. Scores of companies, acting individually and on their own initiative, have devoted substantial amounts of advertising space and time to messages "selling" American ideals and institutions.

The development has been gathering momentum for some months. It is, of

course, primarily a reflection of the resurgence of the American spirit, of pride in America and things American, that has come as a reflex to chaos and catastrophe overseas.

The star-spangled manner in merchandising has reached a point where the conscientious patriot is afforded a distinctly comprehensive set of alternatives for expressing his national feeling. The following mythical but wholly feasible chronicle gives an idea.

The lady of the house, having bathed in the suds of Early American soap, pats herself dry with an Americannon towel. She touches up her nails with a LaCross Americana manicure set, and, by applications of Helena Rubinstein products, achieves that Fresh Face American Look. She dons her Flag Stripe dress, or perhaps her American Way slack suit. Her shoes are Patriots.

Her hose are in the new Yankee Doodle shade. She carries an Americana compact.

Her husband, meanwhile, has about finished his day of manufacturing The American Standard of Living at a Warner & Swasey turret lathe. Since, as predicted by a leading cotton goods manufacturer, this is a "One Hundred Per Cent American Summer," he finds it necessary to wipe his brow, for which he uses an All-American handkerchief. En route home, he goes the Smart American Way in an Oldsmobile, and the car is shod with All-American tires.

At dinner the pair sit down to a plate of Heinz's beans, Baked the American Way. They are not vegetarians, for, as Armour & Company has informed them, it is the American Way to eat meat. Dessert is a cake baked according to one of Ceresota's All-American recipes. The meal is served on Our America dinnerware, and the silver service is American Girl. The victuals are washed down with hearty drafts of All-American beer. To wind up the evening in a final flash of patriotism, they step out with Arthur

Murray's latest item of terpsichorean merchandise, the Americonga.

In the realm of merchandise, the Americanism influence manifests itself in several ways. In some instances, it is primarily a matter of applying an American-flavored trade name to a new product or new model of an established product, the article itself having no special qualities that are peculiarly American, except that it is made in this country. Of more significance is a basic trend in product conception and design which expresses or accents some fundamental aspect of America—its history and traditions, its contemporary scene, or its native materials.

Perhaps the widest use of the Americanism theme has been in institutional advertising. The message usually begins with a discussion, sometimes quite elaborate and informative, of certain aspects of American traditions and the American way of living. Then the copy particularizes on the part which the company plays in this scheme of things. BY P. H. ERBES, JR. *Printers' Ink*, August 16, 1940, p. 15: 6.

► A SUBSTANTIAL gain in advertising expenditures for 1941 by the nation's leading advertisers was predicted at the opening session of the thirty-first annual convention of the Association of National Advertisers. A poll of the association revealed that 56 per cent of members who had set tentative budgets for 1941 expect to boost their expenditures; 38 per cent will spend approximately the same amount as this year; and only 6 per cent indicate a lowering of budgets. As to sales budgets, 4 per cent plan a reduction, 33 per cent have set the same budget as for this year, and 63 per cent will raise their sales expectations. Although there is some shifting in the use of media, the majority plan no great change.

—Marketing 11/2/40

Financial Management

Stock Options for Executives

STOCK options for executives generally are contractual privileged subscription rights which run for a definite time. Stated differently, they give to an executive a contract, written or verbal, to purchase shares of common stock over a period of years, at either a fixed or a varying price, usually on advantageous terms, and frequently at a restricted rate of purchase. Certain option contracts also give to an executive a block of stock if certain stated objectives are reached.

There are two important sets of general corporate conditions under which such options are offered to executives:

(1) Possibly the most frequently recurring set of conditions is when companies are in difficulties and desire new management. At such times cash reserves may be low—although this does not always occur—and there may be a limit to salaries which could be paid to the best available management. Here the creation of a stock option plan may be assumed to be a major factor in securing and holding a company's management group. A large percentage of options for executives are offered under these conditions.

(2) The other frequently recurring reason for which stock options are made available to officers is an additional compensation. Companies offering options in such cases may be reasonably or very prosperous, the

outlook for stock appreciation may be bright, management may be continuous and may have little stock interest in the company, and may depend almost entirely on salary payments for income. Here will be found stipulations not present under the conditions described above, as, for example, implied or definite regulations forbidding the sale of optioned stock even after its outright purchase, to insure that the officer continues to be a stockholder.

An analysis of the use of option agreements by industrial and retail companies over the period 1928-1938 shows that such agreements were used frequently as a form of executive compensation. From 25 to 35 per cent of the total number of companies studied used options at one time or another during these years. Options were used more frequently among retail companies than among either large or small industrial companies.

The number of shares reported under option to any one executive varied among the retail companies from 400 shares to 100,000 shares, and among the industrials, from 1,140 shares to 50,000 shares. Since the Securities and Exchange Commission, however, did not require information on executives who held options on less than 5 per cent of the total number of shares subject to option, conclusive information was not available on this point.

The period during which executives might exercise options was usually three, four or five years. With the industrial companies, options ran for four or five years in all companies except one, where the period was eight years.

Another question which was explored in this study was whether or not option contracts were profitable for executives. The profit possibilities varied widely: with certain companies they proved not to be profitable at all but, when exercised, a liability; while with other companies they appear to have been exceedingly profitable. It seems clear, however, that the value of option contracts fluctuated widely but on the average they proved profitable to many executives.

The conclusion that stock options often prove profitable does not imply that they are an important part of any sound executive compensation plan. Fortuitous events, stock market conditions, exceedingly low price, and even an adjustment downward in option prices may account for such a condition. Indeed, many of the circumstances leading to a profitable option plan might be the very factors indicating that options are not advisable as a method of compensation.

A little discussed angle of stock options is the question of the requirements of the SEC. If option contracts are available to several men, they may almost certainly be defined as a stock issue. If this follows, a corporation may quickly run into much expense and other difficulties. Very roughly the cost of a corporate stock issue for

a large company may be somewhere around \$100,000. Neither the problems involved in a new stock issue nor such large expense can be ignored in deciding to use options in any executive compensation plan.

On the question of the retention of stock purchased under options, the answer is not clear. Certain officers apparently hold their stock and others dispose of it as rapidly as they receive it. Doubtless some of the selling is due to the tax problem, which every recipient of stock under option faces and probably fears.

Any conclusion to a critical study of stock options as a form of executive compensation should first review the question of what the objectives of a comprehensive executive compensation plan should be, and then see if these objectives are attained by stock option agreements. These objectives are: (1) to attract an adequate group of able executives; (2) to hold all the able executives needed; (3) to make it possible for a company to have a turnover in its executive group fair both to the individuals and to the company; and (4) to create conditions under which an executive can do his best work and so help to bring about corporate success.

There is little evidence in this study that stock options are of great significance in meeting these qualifications. They may be useful under such special circumstances as attracting able executives to a company in distress, and possibly in holding an executive in a successful company, but otherwise they offer little advantage from a corporate

point of view and may give occasion for much trouble. Option contracts appear to be popular and operate without difficulty when the stock prices are rising; however, when prices decline, particularly below the level at which

options are exercised, many difficulties arise which present serious corporate, individual, and legal problems. BY JOHN CALHOUN BAKER. *Harvard Business Review*, Autumn, 1940, p. 106:17.

Savings Through Retrospective Rating

IN an address before the Indiana Association of Insurance Agents on retrospective rating of workmen's compensation, John H. Eglof, supervisor of the Travelers' agency field service department, asserted that four out of five employers who have adopted the plan enjoyed substantial savings in premiums, and that the volume of workmen's compensation business written on the retrospective basis will be in excess of \$10,000,000 by the end of this year.

Citing concrete figures, Mr. Eglof gave the results produced by the plan on 277 ratings promulgated through the inception of the plan by the National Council, the Massachusetts Rating & Inspection Bureau, and the Compensation Rating Bureau of New York. The figures showed that 230 ratings developing less than standard premium produced a saving to assureds of \$1,297,380, which represents an average reduction of 28.4 per cent. On the other hand, the 57 ratings developing more than standard premium called for an increase of only \$160,369 over the standard premium.

"It should be kept in mind that the plan is definitely related to accident-prevention work," said Mr. Eglof. "For each dollar of reduction in losses, the assured will save \$1.12 (Indiana). No other rating plan has gone so far to give the policyholder full credit directly and promptly for the results of his accident-prevention work."

—*The Journal of Commerce* 10/31/40

AMA INSURANCE CONFERENCE

The Winter Conference of the Insurance Division of the American Management Association will be held on Thursday and Friday, December 5-6, at the Palmer House, Chicago.

Insurance

New Automobile Policy Devised

STANDARD provisions for a new automobile policy, making it possible to include in one contract all the automobile liability insurance of business or commercial establishments, have been announced jointly by the National Bureau of Casualty & Surety Underwriters and the American Mutual Alliance.

The new policy, known as the schedule liability form, becomes effective immediately. Its promulgation marks a further advance of the national automobile policy program undertaken by the member companies of the national bureau and mutual alliance for the purpose of clarifying and standardizing automobile forms to the fullest extent consistent with legal requirements.

The new policy is a streamlined contract in which insurance may be afforded at the option of the insured, for (1) automobiles owned by the insured, (2) automobiles which are hired by the insured but used by others in connection with his business and for which he would thus have liability.

The insurance for these elements is substantially the same as that which has been available under the basic form by the use of standard endorsements. The provisions permit consid-

erable flexibility so that, at the option of either the company or insured, the policy may be issued to afford insurance upon a specified-car basis only, a fleet-plan basis only, or both. It is possible, therefore, to include in one contract all the automobile liability insurance of business organizations owning automobile fleets, having hired-automobile and non-ownership liability, and utilizing the services of independent contractors. Heretofore an automobile policy providing all such protection has been the basic form plus lengthy endorsements.

Each one of the divisions of hazard—owned automobiles, hired automobiles, and non-owned automobiles—is set up separately in the policy and in the declarations. This makes it possible to provide any combination of the separate elements of coverage, and the separation of these elements in the declarations enables the insured to determine which are insured and the premium charges for each.

The schedule liability form should not be confused with comprehensive automobile liability insurance. It is expected that the latter policy will be announced in the near future. *The Journal of Commerce*, September 16, 1940, p. 8:2.

► THE AVERAGE length of commercial announcements on half-hour radio programs is 425 words, as compared with an average of 341 in a *Saturday Evening Post* page ad.

—Sales Management 7/1/40

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

Compensation for Conscripted Employees

Question: What is the trend of management policy respecting "supplementary compensation" of drafted employees?

Answer: The company policy statements which have come to our attention during October disclose a higher percentage of cases where such payments are promised than was noted in The Management Question Box in September or in the special reports issued by the American Management Association on this subject in September and early October. Of 70 of these more recent policies, 54 contain provisions for compensation in varying amounts while 16 do not provide for any payments of this kind.

Manufacturing concerns dominate this group, as was the case with previous groups studied. Of the 70 companies, 48 are manufacturing or extractive. The remaining 22 include hotels, utilities, banks, insurance companies, and one department store.

The plan most favored among those examined is payment of one month's salary or its equivalent. This is being granted by 18 companies. Methods of determining this amount for wage earners differ. In the companies studied, "one month's salary" is interpreted variously as four and one-third weeks' wages, as one-third of the highest quarterly earnings in the preceding year, and as a straight four-weeks' wage.

Of the group paying one month's salary, one concern restricts this to employees with three years' service; those with one to three years' service in this case receive half a month's salary. One company will pay the amount as half pay for eight weeks, and another will divide it into 12 equal monthly instalments. Another company reserves the right to withhold this payment when the army pay of the individual equals or exceeds his salary with the company.

Three insurance associations and two manufacturing companies will pay two months' salary or wages. One of the manufacturing companies will deduct amounts due as contributions to its pension plan and for Federal taxes.

The three associations restrict payment of the two months' salary or wages to those with two years or more of service, but will grant a month's salary or wages to employees with service records of six months to two years.

Two weeks' pay is being provided by 10 companies, and in three cases vacation pay will be added if the vacation time has not already been consumed.

A number of concerns are making up the difference between army and company pay—in one case for one month's time, in another case for two months' and in three cases for three months. Three companies will make up this difference throughout the year. The maximum thus payable, in one case, will be \$3,500.

Two companies will pay one-half of the worker's regular yearly salary, and two will match army pay for the entire year.

A number of special plans have been noted, among which one unusual feature is payment of specified amounts to men on their return to employment. These plans are summarized briefly:

- (1) To men with one year or more of service, two weeks' pay at departure plus any unused vacation allowance. During their 12 months' military service, an amount equal to 10 per cent of company pay. On their return to employment, two weeks' pay.
- (2) One month's pay on departure and \$50 on reemployment. Applies to all with three months' service or more.
- (3) One month's pay for each year of service up to three years.
- (4) One month's pay for all who enlist or are called to service. An additional allowance for any who have one or more persons wholly dependent on them for support. This will be the difference between service pay and the following percentage of company pay: 10 years of service or over, 100 per cent; 8 to 10 years, 90 per cent; 6 to 8 years, 80 per cent; 4 to 6 years, 70 per cent; 2 to 4 years, 60 per cent; less than 2 years, 50 per cent. These payments will begin 30 days after departure and will continue for 11 months.
- (5) One week's pay for each year of service, up to three weeks' pay. Any unused vacation allowance.
- (6) For those with one year of service or more, three weeks' pay for single men and six weeks' for married.
- (7) For those with one year of service or more, the difference between army and company pay for one-fourth of a month for each year of service up to a maximum of three months, the minimum being one-half month. Also any unused vacation allowance.
- (8) Twenty-five per cent of the difference between company and army pay up to a maximum of \$50, payable monthly throughout the year and subject to deductions for pension and insurance premiums.

Content of Employee Periodicals

Question: What material should be included in an employee magazine?

Answer: The general aim of the employee magazine will determine its content to a considerable degree. A survey of 50 employee publications made recently by Melvin Greenstein, of the School of Business, University of Chicago, shows the predominating purpose of such publications usually is to promote a spirit of cooperation and group interest. This is reflected in the widespread use of plant news and personal items. Forty-seven magazines of this group carried such material, and the average space devoted to it was 45 per cent of the total column inches in each issue of these journals.

Fostering the employees' understanding of their place in the productive process and providing information about the company's products were second in importance, according to this survey. The average amount of space thus utilized by 45 magazines was 24.6 per cent. Leisure-time activities came next, with 28 magazines showing an average of 6.9 per cent of space used.

A surprising finding of the survey was that only 20 of the 50 periodicals made use of space for explanation of the firm's policies. So much stress has been laid in recent years on the importance of informing workers directly about company policies—instead of allowing them to acquire their information via "grapevine telegraph"—that many employee magazines would be expected to carry such material. In the 20 magazines where it appeared, an average of 3.3 per cent of the total space was thus used.

Controversial questions (e.g., unionism, legislation and politics) were touched on in only nine of the 50 magazines and occupied an average space of 0.8 per cent. Safety and health were dealt with in 25 journals, with an average space of 2.3 per cent. Thirty-one of the publications do not run editorials. According to the survey, many editors believe that a regular editorial department detracts from the importance of messages from management and that such messages can best be presented as special articles.

Advertising was omitted entirely from 27 of the 50 magazines studied, and 19 of the 50 carried only advertisements of the company's own products. Nine provide free space to employees for classified advertising, thus giving workers an opportunity to exchange and sell articles and to foster their hobbies.

► A COLLEGE DEGREE is not needed for executive success, according to a survey of 53,957 officers of American industry. The investigation showed that 91% of production executives, 62% of sales executives, 54% of engineering officials, and 52% of presidents are not college-trained. In all, 72% of American executives have not received a college education.

—Sales Management 9/15/40

Survey of Books for Executives

The Bottlenecks of Business. By Thurman W. Arnold. Reynal & Hitchcock, New York, 1940. 335 pages. \$2.50.

The antitrust division of the Department of Justice had a maximum lawyer personnel of 18 up to 1933, but this has been increased to 200. Most of the increase has taken place since 1938, when Thurman Arnold took charge. The increase in numbers is related to a drastic change in the conception of needed prosecution of monopoly and trade restraint. Five principal points are involved. (1) Initiative is to rest with the Department of Justice rather than on chance development of individual complaints. (2) The consent decree is to be used as a probational system. (3) Emphasis is to be placed on *preventing the development* of vested interests founded on trade restraint. (4) Prosecution is to proceed against the whole of an industry at one time. (5) Key Department of Justice men are to be left on the job in all parts of the country where prosecutions have been successfully completed. This is to police industry and maintain accomplishment.

The consumer point of view is taken.

Bottlenecks are thought to arise whenever restraining agreements keep prices up and limit the consumer's effective purchasing power. Their only possible result is limitation of production and multiplication of government subsidy and relief. This is a new usage for the already overtaxed word "bottleneck"—but let it pass, for all economists will agree that an important conception is involved.

Arnold sees the absolute necessity of building on the institutional background of the past. He is suggesting a policing system to make the competitive system work. The encouragement of cartels grew into National Socialism in Germany. France and England were weakened by the forces which reduced competition. Arnold perceives the tragedy of any plan to found overnight a new type of society.

Government economy is no excuse for failure to prosecute trade restraint. Arnold understands that his job is not to collect fines, but he can point to the fact that antitrust work is self-supporting.

Arnold knows that the size of a company is no indication of a "trust," and that the economic test is efficiency and service. He realizes that such a

test requires a careful economic analysis in each case. We may add that no little skill and understanding are implied. It is appalling, therefore, to find how Arnold draws economic generalizations. A few quotations must suffice. He describes the establishment of prices in a cheese exchange as "hocus-pocus," states that the prices "mean little or nothing," and implies that as much could be said regarding many other organized exchanges. He defines a corporation as "an organization which restrains trade." He states that "economic theories are always a confusion of inconsistencies." He holds that *combinations* "have secured for automobiles such strategic advantages in the national market that the poor go without proper diet and housing to buy them."

Possibly Arnold overrates the improvements taking place in antitrust enforcement. Against the present background of government control, it is easy to underestimate the upsetting effect of antitrust work. Certainly, he fails to emphasize the vacillation which the record discloses between enforcing competition and preventing unfair competition. After all these things are said, however, Arnold's book leaves the impression that a new day may be dawning in the enforcement of competition. Dare we hope that in the future depressions the emphasis of the government will be on the encouragement of competition? It seems improbable. Such an outcome would not solve all economic problems, but it

might be of major importance in bringing order out of chaos.

Reviewed by Elmer C. Bratt, Lehigh University.

Retail Personnel Relations. By O. Preston Robinson. Prentice-Hall, Inc., New York, 1940. 565 pages. \$5.35.

"Retail Personnel Relations" is a timely book because of the intense interest in human relationships in business that management in all industry is being forced to take as a result of present social and political readjustments. Nowhere are these readjustments more acute than in the retailing field, which is highly sensitive to consumer demands and interests and in which the lack of intelligent, effective personnel policies shows up directly in the profit figures.

The book presents in a painstaking and thorough manner an exposition of the policies, organization, procedures, plans, schedules and even forms which have been worked out by the most progressive retail stores, large and small. While Mr. Robinson makes no original contribution here, the emphasis on job analysis and job classification as basic factors in an effective personnel structure is notable. The importance of an objective and well-organized employee rating system, based on standards of performance which the worker understands and for which he has been trained, has been stressed and enlarged upon admirably.

Most of these policies are recognized

by those directly responsible for personnel, but the important thing, as Mr. Robinson states, is that they should be recognized by top executives who can give the personnel director the authority and sympathetic cooperation which will enable him to carry them out.

The last part of the book is devoted to a discussion of employment stabilization, employee participation, and labor problems. Here, I feel, a real contribution has been made. Numerous organizations are floundering more or less helplessly in an attempt to handle the many problems arising from unionization and adjustment to what has

been called the "new awakening of the masses." Industry as a whole, and retail stores particularly, have done little constructive thinking about these realities. Like the democracies in the present crisis, they have allowed themselves to be put on the defensive—a position from which it is difficult to work out constructive and practical policies. Mr. Robinson's discussion both of the realities and the philosophies involved in these problems is well worth earnest study.

Reviewed by Jean L. Shepard, Director of Executive Personnel, Lord & Taylor, New York.

Briefer Book Notes

THE PRESERVATION OF BUSINESS RECORDS. By Ralph M. Hower. The Business Historical Society, Inc., Soldiers Field, Boston, 1940. 56 pages. Gratis. A revised version of a pamphlet first issued in 1937. Tells why the preservation of business records is essential and suggests practical methods of dealing with the problem. The pamphlet sets up a schedule which can be put into effect economically by most companies to preserve their important records, and also contains a discussion of the current practices of firms in various fields.

MANNERS IN BUSINESS. By Elizabeth Gregg MacGibbon. The Macmillan Company, New York, 1939. 177 pages. \$1.50. Practical counsel for the business girl by an expert on business etiquette. Mrs. MacGibbon discusses with humor and authority such topics as what to wear for business, make-up and grooming, how to get a job, how to get along with one's boss, tactful business manners, office taboos, and sex in business.

LITTLE BITS ABOUT BIG MEN. By B. C. Forbes. B. C. Forbes Publishing Company, New York, 1940. 223 pages. \$2.50. In this friendly volume the author introduces the reader to hundreds of important leaders of the 20th century—not with pompous biographies, but with inspiring and humorous anecdotes secured through personal elbow-rubbing. The accent is on men in business, financial and public life.

THE EXECUTIVE'S DESK BOOK. The John C. Winston Company, Philadelphia, 1940. 1,834 pages. \$5.95. A repository of essential information applying to a myriad of the problems of business and professional life. Part I contains sections on "Correct Usage," "Forms of Business Writing," "Business Laws and Forms," "Financial and Business Management," and "Useful Information," including special chapters on business problems by experts in various fields; Part II features The Winston Dictionary (1,338 pages).

THE RUNZHEIMER AUTO ALLOWANCE GUIDE. Runzheimer and Company, Chicago, 1940. Second edition, revised. 18 pages. \$6.00. A scientific approach to the determination of salesmen's car allowances. Provides actual cost figures on fixed and variable expenses for 42 regions, and for six types of automobile, classified by size.

TIME AND MOTION STUDY AND FORMULAS FOR WAGE INCENTIVES By Stewart M. Lowry, Harold B. Maynard and G. J. Stegemerten. McGraw-Hill Book Company, Inc., New York, 1940. Third edition. 432 pages. \$5.00. A standard handbook and study guide on the principles and methods of making time and motion studies and time formula construction. In this revised edition, the material relating to the study of methods has been greatly expanded.

THE ANATOMY OF AMERICAN WEALTH. By Robert R. Doane. Harper & Brothers, New York, 1940. 345 pages. \$2.50. This study provides a new picture of America's real wealth in terms of tangible, productive resources, and establishes a basis for planning national policies which perhaps comes nearer to the realities than any assembly of facts heretofore available. Its data are drawn entirely from government sources.

INDUSTRIAL BANKING COMPANIES AND THEIR CREDIT PRACTICES. By Raymond J. Saulnier. National Bureau of Economic Research, Inc., New York, 1940. 192 pages. \$2.00. A factual study of Morris Plan and other industrial banking companies as agencies of consumer instalment credit. Dr. Saulnier has created an institutional picture that is detailed in content yet characterized by the perspective of an outside observer.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED
BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933

Of THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1940.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared James O. Rice, who, having been duly sworn according to law, deposes and says that he is the Editor of THE MANAGEMENT REVIEW and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper the circulation) etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York, N. Y.; Editor, James O. Rice, 330 West 42nd Street, New York, N. Y.; Managing Editor, None; Business Manager, Alvin E. Dodd, 330 West 42nd Street, New York, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York, N. Y.; Alvin E. Dodd, President, 330 West 42nd Street, New York, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JAMES O. RICE, Editor.

Sworn to and subscribed before me this 23rd day of September, 1940.

(Seal)

RUTH KHAN, Notary Public.
(My commission expires March 30, 1942)